

**CITY OF SHELDON**

**INDEPENDENT AUDITORS' REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS**

**JUNE 30, 2011**

# CITY OF SHELDON

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# CITY OF SHELDON

## CITY OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
Katricia Meendering	Mayor	January 2014
Mark Postma	Council Member	January 2012
Brad Hindt	Council Member	January 2012
Dave Popkes	Council Member	January 2014
Ron Rensink	Council Member	January 2012
Duane Seehusen	Council Member	January 2014
Scott Wynja	City Manager	
Arlene Budden	Clerk/Treasurer	
Micah Schreurs	Attorney	
Skip Tanner	Airport Commissioner	July 2014
Glen Zylstra	Airport Commissioner	July 2015
Steve Drenkow	Airport Commissioner	July 2014
Rob Dixon	Airport Commissioner	July 2015
Scott Meinecke	Airport Commissioner	July 2012
Holly Hamill-Kamstra	Park and Recreation Commissioner	July 2014
Jodi Radke	Park and Recreation Commissioner	July 2015
Toni Bart	Park and Recreation Commissioner	July 2012
Krissa Jacobsma	Park and Recreation Commissioner	July 2015
Ed Stephens	Library Trustee	July 2015
Mildred Voss	Library Trustee	July 2015
Jane Cain	Library Trustee	July 2016
Darlene Krier	Library Trustee	July 2012
Joel Gustafson	Library Trustee	July 2013
Shantel Oostra	Library Trustee	July 2011
Judy Honkomp	Library Trustee	July 2013
Raeanne Tatsumi	Museum Trustee	July 2011
Marlene Pape	Museum Trustee	July 2013
Joe Wildeman	Museum Trustee	July 2013
Cindy Runger	Museum Trustee	July 2012
Mark Klemme	Museum Trustee	July 2013
Mark Poyzer	Museum Trustee	July 2013
Ron Brinkman	Museum Trustee	July 2013
Pete Hamill	Recreational Trails Board	July 2013
Keith Rolston	Recreational Trails Board	July 2013
Phil Grove	Recreational Trails Board	July 2013
Fred Stratman	Recreational Trails Board	July 2012
Jeanne Lichty	Recreational Trails Board	July 2012
Jan Neel	Recreational Trails Board	July 2012
Stan Ten Kley	Recreational Trails Board	July 2011
Donna Brinkman	Recreational Trails Board	July 2011
Shirley Letner	Recreational Trails Board	July 2011

**WINTHER, STAVE & Co., LLP**  
*Certified Public Accountants*

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and  
Members of the City Council  
City of Sheldon  
Sheldon, IA 51201

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Sheldon, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Sheldon as of June 30, 2011 and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 29, 2012 on our consideration of the City of Sheldon's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that

testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 10 and 34 through 36 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. Other supplementary information, included in Schedules 1, 2, and 3, is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The other information, included in Schedules 4 and 5, is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

*Winther, Starn + Co., LLP*

February 29, 2012

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The City of Sheldon provides this management's discussion and analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### **2011 Financial Highlights**

- Receipts of the City's governmental funds increased by 53.51% or approximately \$3,042,500 from fiscal year 2010 to fiscal year 2011. Property and other City taxes increased by approximately \$52,700.
- Disbursements of the City's governmental funds increased by 14.45% or approximately \$896,300 from fiscal year 2010 to fiscal year 2011.
- The City's total cash basis net assets increased 36.08% or approximately \$1,637,500 from June 30, 2010 to June 30, 2011. Of this amount, the cash basis net assets of the governmental activities increased by approximately \$1,546,300 and the cash basis net assets of the business type activities increased by approximately \$91,200.

### **Using This Annual Report**

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statements consist of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds and information on the City's debt.

Other information shows receipts and disbursements of the governmental funds for the last seven years and capital asset activity.

## **Basis of Accounting**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **Reporting The City's Financial Activities**

### Government-wide Financial Statements

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks and the sanitary sewer system. These activities are financed primarily by user charges.

### Fund Financial Statements

The City has three kinds of funds:

1. Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: (a) the General Fund, (b) the Special Revenue Funds, such as Tax Increment Financing and Local Option Sales Tax, (c) the Debt Service Fund, and (d) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a statement of cash receipts, disbursements, and changes in cash balances.

- Proprietary funds account for the City's Enterprise and for the Internal Service Fund. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the water and sewer funds, considered to be major funds of the City. The Internal Service Fund is used to account for the City's self-insurance activities.

The required financial statement for proprietary funds is a statement of cash receipts, disbursements, and changes in cash balances.

- Fiduciary funds are used to report assets held in trust or agency capacity for others. The City's fiduciary fund is used to account for employee cafeteria funds.

The required financial statement for fiduciary funds is a statement of cash receipts, disbursements, and changes in cash balances.

### Government-Wide Financial Analysis

The City's cash balance for governmental activities increased by \$1,546,284 for the year ended June 30, 2011. The following analysis focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities			
	For the Year Ended June 30, 2011	For the Year Ended June 30, 2010	Increase (Decrease)
Receipts:			
Program receipts:			
Charges for services .....	\$ 548,757	\$ 718,112	\$ (169,355)
Operating grants, contributions, and restricted interest .....	539,824	517,928	21,896
Capital grants, contributions, and restricted interest ..	225,268	495,107	(269,839)
General receipts:			
Property and other city taxes .....	1,357,321	1,304,577	52,744
Tax increment financing .....	2,215,974	2,063,537	152,437
Local option sales tax .....	485,710	351,879	133,831
Unrestricted investment earnings .....	34,819	31,573	3,246
Unrestricted miscellaneous .....	27,780	131,954	(104,174)
Bonds proceeds - net .....	3,170,200		3,170,200
Proceeds - sale of assets .....	122,794	71,246	51,548
Total receipts	<u>8,728,447</u>	<u>5,685,913</u>	<u>3,042,534</u>
Disbursements:			
Public safety .....	806,365	994,397	(188,032)
Public works .....	864,031	1,193,136	(329,105)
Health and social services .....	15,500	15,500	
Culture and recreation .....	461,208	491,423	(30,215)
Community and economic development .....	356,868	453,534	(96,666)
General government .....	341,021	374,644	(33,623)
Debt service .....	881,645	1,586,968	(705,323)
Capital projects .....	<u>3,370,859</u>	<u>1,091,594</u>	<u>2,279,265</u>
Total disbursements	<u>7,097,497</u>	<u>6,201,196</u>	<u>896,301</u>
Change in cash basis net assets before transfers	1,630,950	(515,283)	2,146,233
Net transfers .....	<u>(84,666)</u>	<u>40,333</u>	<u>(124,999)</u>
Change in cash basis net assets	1,546,284	(474,950)	2,021,234
Cash basis net assets - beginning of year .....	<u>2,774,409</u>	<u>3,249,359</u>	<u>(474,950)</u>
Cash basis net assets - end of year	<u>\$4,320,693</u>	<u>\$2,774,409</u>	<u>\$1,546,284</u>



The City's total receipts for governmental activities increased 53.51% or approximately \$3,042,500 from fiscal year 2010 to fiscal year 2011. The increase was primarily due to bonds issued in January 2011 for the purchase of land and infrastructure construction.

The cost of governmental activities for fiscal year 2011 was approximately \$7,097,500 which was up 14.45% or approximately \$896,300 than fiscal year 2010. The increase was primarily due to an increase in capital projects because of the purchase of land.

The City's cash balance for business type activities increased by \$91,231 for the year ended June 30, 2011. The following analysis focuses on the changes in cash basis net assets of business type activities.

Changes in Cash Basis Net Assets of Business Type Activities			
	For the Year Ended <u>June 30, 2011</u>	For the Year Ended <u>June 30, 2010</u>	Increase (Decrease)
Receipts:			
Program receipts:			
Charges for services:			
Water .....	\$ 855,063	\$ 856,807	\$ (1,744)
Sewer .....	663,887	652,519	11,368
Operating grants, contributions, and restricted interest		1,769	(1,769)
General receipts:			
Unrestricted investment earnings .....	<u>19,279</u>	<u>24,493</u>	<u>(5,214)</u>
Total receipts	<u>1,538,229</u>	<u>1,535,588</u>	<u>2,641</u>
Disbursements:			
Water .....	933,304	967,757	(34,453)
Sewer .....	<u>598,360</u>	<u>598,122</u>	<u>238</u>
Total disbursements	<u>1,531,664</u>	<u>1,565,879</u>	<u>(34,215)</u>
Change in cash basis net assets before transfers	6,565	(30,291)	36,856
Net transfers .....	<u>84,666</u>	<u>(40,333)</u>	<u>124,999</u>
Change in cash basis net assets	91,231	(70,624)	161,855
Cash basis net assets - beginning of year .....	<u>1,764,090</u>	<u>1,834,714</u>	<u>(70,624)</u>
Cash basis net assets - end of year	<u>\$1,855,321</u>	<u>\$1,764,090</u>	<u>\$ 91,231</u>

The City's receipts and disbursements for business type activities were relatively unchanged from fiscal year 2010.

### Individual Major Governmental Fund Analysis

The City's governmental funds showed a combined cash basis fund balance of \$4,150,210 at June 30, 2011 which was approximately \$1,594,800 more than the balance at June 30, 2010.

The capital projects fund showed an increase in cash balances of approximately \$1,565,800. This was due primarily to bonds issued prior to the project disbursements. The other governmental funds showed modest increases or decreases.

## Individual Major Business Type Fund Analysis

The City's business type funds showed a combined cash basis fund balance of \$2,025,804 at June 30, 2011 which was approximately \$42,700 more than the balance at June 30, 2010.

The water and sewer funds both had modest increases in cash balances, and the self-insurance fund showed a modest decrease in cash balances.

## Budgetary Highlights

The City amended the budget on February 2, 2011. This amendment was needed to budget for additional capital project disbursements primarily related to the purchase of land. Budgeted receipts were also amended to budget additional bond proceeds and to reduce the estimated intergovernmental grant receipts.

Actual disbursements did not exceed budgeted amounts.

## Debt Administration

At June 30, 2011, the City had \$9,449,589 in bonds and other long-term debt, compared to \$7,052,696 last year as shown below.

Outstanding Debt at Year-End		June 30,	
		<u>2011</u>	<u>2010</u>
Tax increment financing .....	\$2,420,000	\$2,420,000	\$2,635,000
Sewer revenue note .....	439,000	439,000	479,000
Water revenue note .....	1,512,235	1,512,235	1,615,873
Sales and service tax bonds .....	530,000	530,000	655,000
General obligation bonds .....	4,295,000	4,295,000	1,395,000
Airport improvement loan .....	<u>253,354</u>	<u>253,354</u>	<u>272,823</u>
Total		<u>\$9,449,589</u>	<u>\$7,052,696</u>

The City issued two bond issues in January 2011 for the purchase of land and for infrastructure construction.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt is well within its constitutional debt limit of \$12,292,387.

## Economic Factors and Next Year's Budgets and Rates

Each year, the City of Sheldon's elected officials and department heads consider various factors that contribute to the establishment of the proposed budget. This includes tax rates, fees for services, grants, and other various funding sources. Over the last several years, the City Council has considered rate changes and other revenue streams to help offset the increased operating expenses. Once again this year, many factors helped to determine the 2011-2012 budget.

As in past years, City department heads, boards and commissions reviewed and updated the 5 year capital improvement plans. This is usually done in preparation for the budget process. Once again, a number of items that were included on this list have been incorporated into the 2011-2012 budget. We continue to evaluate the general fund as limited increases are available to offset the increases for general services in this fund. We also continue to monitor our urban renewal districts (TIF) and consider any potential impacts they may create with increased valuations and changes to our development and urban renewal plans. With the increase we have seen in TIF funds and the ability to pay off debt, we have decided to release approximately \$6 million in TIF valuation. This has provided some much needed revenue to our general fund and at the same time assist the other public entities with a newly created tax base. We also continue to evaluate and compare our tax and utility rates with those of other Northwest Iowa communities. At this point we are not anticipating any utility rate increases for water and sewer. We will continue to evaluate these on an annual basis.

### **Comparisons 2010-2011 to 2011-2012 Management Analysis**

In preparing for the 2011-2012 budget year, the City Council wanted to make sure we held the tax levy rate and user fees as close as possible to those of the previous year. We are actually fortunate this year to lower our levy rate, basically due to the savings in our employee benefits plan. With the slight increases in the general fund, we were able to provide some additional funding to some general fund areas such as the library for capital equipment purchases. To the benefit of the City, the residential roll-back has been slowed down, which also aids in maintaining that revenue base. The City Council had to deal with many challenges to offset and fund the increase in expenditures in various areas. A majority of this was done by using reserve funds and other sources to cover some of the needed capital items, with most of the regular operating budgets remaining the same.

We continue to rely on some of our cash reserves as well as various other funding sources to fund some of our capital projects. We once again will utilize TIF funds for many needed infrastructure upgrades and repairs and the use of local option sales tax (LOST) for economic betterment projects and tax relief. These have been proven economic tools to complete a number of projects. With the slight downturn in the economy, the projections on the LOST funds are somewhat lower. We do anticipate this bouncing back, but will plan to budget on the conservative side just in case.

Some of the other projects and equipment items will be purchased and completed through various reserve funds. Many of the smaller projects and equipment purchases in the street, police, park, airport, museum and library departments will be covered with these sources. We also try and utilize grant funds whenever possible for various capital projects and items. The airport utilizes airport improvement funds (AIP) allocated from the FAA for a majority of the capital projects. Other boards and commissions seek various funding and grant sources to complete needed capital projects.

Although we had a large release of valuation in the urban renewal areas, we are still able to utilize TIF revenues for various capital projects. We continue to look to complete the widening along the Highway 18 corridor and utilize some funding sources from the Iowa Department of Transportation as part of these projects. We also plan to extend infrastructure into the new proposed Crossroads Industrial Park as well as the Runger and Sheldon Crossing Additions. With the demand for development ground, we want to be prepared and ready for various options of development. The extension of infrastructure into these areas will make commercial, light and heavy industrial ground available. We are also considering some drainage improvements along the highway and the possibility of a detention pond area to handle some of the flows due to development. TIF continues to be a valuable tool for our community and the council continues to be prudent in how the funds are handled. We also continue to utilize LOST

funds to cover items such as trail improvements and maintenance, payment for the Lifelong Learning and Recreation Center contribution, sidewalk improvements, store front program and toward the purchase of a new street sweeper. LOST has been a great tool for various economic betterment projects in the community.

The business type activities for the water and sewer fund have no rate increase proposed for the next fiscal year. The Council will need to continue to evaluate and analyze these rates each year going forward. As expenses for these services continue to increase, the charge to provide these services will also have to increase. Our water reserve and depreciation balances remain fairly strong, so we are able to hold the rates, but sewer depreciation accounts are still slightly under the levels we would like to be at. The water department plans to purchase some additional meter reading equipment, purchase a new truck and complete some leak detection repairs. The wastewater department continues to deal with infiltration issues and other plant improvements and upgrades. They plan to purchase a new truck this year, do some supervisory control and data acquisition (SCADA) updates and construct a new sludge roof. The City continues to be a member of the Lewis and Clark Regional Water System. When completed, the City of Sheldon will be allocated 1.3 million gallons of water on a daily basis. Sheldon has prepaid its capital obligation to the project and now relies on federal funding to complete the system. With concerns over the availability of good quality water, this will provide an excellent resource of water for years to come. Depending upon federal funding, Sheldon anticipates water from this system in 2018.

### **Contacting the City's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Arlene Budden, City Clerk/Treasurer or Scott Wynja, City Manager, 416 9th St., Sheldon, Iowa, 51201.

## **BASIC FINANCIAL STATEMENTS**

CITY OF SHELDON  
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

	<u>Disbursements</u>	<u>Charges for Service</u>	<u>Program Receipts Operating Grants, Contributions, and Restricted Interest</u>
<b>FUNCTIONS/PROGRAMS:</b>			
Governmental activities:			
Public safety .....	\$ 806,365	\$ 293,953	\$ 12,760
Public works .....	864,031	90,144	477,431
Health and social services .....	15,500		
Culture and recreation .....	461,208	147,447	47,980
Community and economic development .....	356,868	4,080	473
General government .....	341,021	13,133	
Debt service .....	881,645		1,180
Capital projects .....	<u>3,370,859</u>		
Total governmental activities	<u>7,097,497</u>	<u>548,757</u>	<u>539,824</u>
Business type activities:			
Water .....	933,304	855,063	
Sewer .....	<u>598,360</u>	<u>663,887</u>	
Total business type activities	<u>1,531,664</u>	<u>1,518,950</u>	
<b>TOTAL</b>	<u><b>\$8,629,161</b></u>	<u><b>\$2,067,707</b></u>	<u><b>\$ 539,824</b></u>

General Receipts:

Property and other city taxes levied for:	
General purposes .....	
Debt service .....	
Tax increment financing .....	
Local option sales tax .....	
Unrestricted investment earnings .....	
Unrestricted miscellaneous .....	
Bond proceeds - net of \$49,800 discount	
Sale of assets .....	
Operating transfers .....	
Total general receipts and transfers	

CHANGE IN CASH BASIS NET ASSETS ....

CASH BASIS NET ASSETS -  
BEGINNING OF YEAR .....

CASH BASIS NET ASSETS - END OF YEAR

CASH BASIS NET ASSETS:

Restricted, expendable for:	
Urban renewal purposes .....	
Community betterment .....	
Debt service .....	
Capital projects .....	
Sewer improvement and replacement ...	
Other purposes .....	
Unrestricted .....	

TOTAL CASH BASIS NET ASSETS

See Notes to Financial Statements

## Exhibit A

<u>Capital Grants, Contributions, and Restricted Interest</u>	<u>Net (Disbursements) Receipts and Changes in Cash Basis Net Assets</u>		
	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
	\$ (499,652)		\$ (499,652)
\$ 174,480	(121,976)		(121,976)
	(15,500)		(15,500)
3,100	(262,681)		(262,681)
1,000	(351,315)		(351,315)
	(327,888)		(327,888)
	(880,465)		(880,465)
<u>46,688</u>	<u>(3,324,171)</u>		<u>(3,324,171)</u>
<u>225,268</u>	<u>(5,783,648)</u>		<u>(5,783,648)</u>
		\$ (78,241)	(78,241)
		65,527	65,527
		<u>(12,714)</u>	<u>(12,714)</u>
<u>\$ 225,268</u>	<u>(5,783,648)</u>	<u>(12,714)</u>	<u>(5,796,362)</u>
	1,208,000		1,208,000
	149,321		149,321
	2,215,974		2,215,974
	485,710		485,710
	34,819	19,279	54,098
	27,780		27,780
	3,170,200		3,170,200
	122,794		122,794
	<u>(84,666)</u>	<u>84,666</u>	
	<u>7,329,932</u>	<u>103,945</u>	<u>7,433,877</u>
	1,546,284	91,231	1,637,515
	<u>2,774,409</u>	<u>1,764,090</u>	<u>4,538,499</u>
	<u>\$4,320,693</u>	<u>\$1,855,321</u>	<u>\$6,176,014</u>
	\$ 203,220		\$ 203,220
	509,444		509,444
	1,370	\$ 12,691	14,061
	2,277,729		2,277,729
		171,181	171,181
	420,640	42,155	462,795
	<u>908,290</u>	<u>1,629,294</u>	<u>2,537,584</u>
	<u>\$4,320,693</u>	<u>\$1,855,321</u>	<u>\$6,176,014</u>

See Notes to Financial Statements

CITY OF SHELDON  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH BALANCES  
GOVERNMENTAL FUNDS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

	<u>General</u>	<u>Tax Increment Financing</u>	<u>Local Option Sales Tax</u>
RECEIPTS:			
Property tax .....	\$ 736,938		
Tax increment financing .....		\$2,215,974	
Other city taxes .....	137,929		\$485,710
Licenses and permits .....	11,975		
Use of money and property .....	84,974	2,648	8,168
Intergovernmental .....	203,186		
Charges for service .....	395,888		
Special assessments .....	14,998		
Miscellaneous .....	119,954		
TOTAL RECEIPTS	<u>1,705,842</u>	<u>2,218,622</u>	<u>493,878</u>
DISBURSEMENTS:			
Public safety .....	622,326		
Public works .....	344,752		
Health and social services .....	15,500		
Culture and recreation .....	407,087		
Community and economic development .....	79,560	243,307	33,985
General government .....	209,105		112,689
Debt service .....		331,800	151,772
Capital projects .....		51,896	65,683
TOTAL DISBURSEMENTS	<u>1,678,330</u>	<u>627,003</u>	<u>364,129</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>27,512</u>	<u>1,591,619</u>	<u>129,749</u>
OTHER FINANCING SOURCES:			
Operating transfers in .....	100,500	50,000	
Operating transfers out .....	(32,428)	(1,705,268)	(123,582)
Proceeds - sale of assets .....			
Bond proceeds - net of \$49,800 discount .....			
TOTAL OTHER FINANCING SOURCES (USES)	<u>68,072</u>	<u>(1,655,268)</u>	<u>(123,582)</u>
NET CHANGE IN CASH BALANCES	95,584	(63,649)	6,167
CASH BALANCES - BEGINNING OF YEAR, as restated .	<u>642,685</u>	<u>266,869</u>	<u>503,277</u>
CASH BALANCES - END OF YEAR	<u>\$ 738,269</u>	<u>\$ 203,220</u>	<u>\$509,444</u>



## Exhibit B

<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>	<u>Total</u>
\$146,240		\$321,304	\$1,204,482
			2,215,974
3,081		11,829	638,549
			11,975
1,180	\$ 15,460	4,798	117,228
	26,115	475,839	705,140
			395,888
			14,998
	<u>5,575</u>		<u>125,529</u>
<u>150,501</u>	<u>47,150</u>	<u>813,770</u>	<u>5,429,763</u>
		208,947	831,273
		535,603	880,355
			15,500
		57,425	464,512
		16	356,868
		20,464	342,258
398,073			881,645
	<u>3,253,280</u>		<u>3,370,859</u>
<u>398,073</u>	<u>3,253,280</u>	<u>822,455</u>	<u>7,143,270</u>
<u>(247,572)</u>	<u>(3,206,130)</u>	<u>(8,685)</u>	<u>(1,713,507)</u>
197,853	1,528,956	203,425	2,080,734
	(50,000)	(154,122)	(2,065,400)
	122,794		122,794
	<u>3,170,200</u>		<u>3,170,200</u>
<u>197,853</u>	<u>4,771,950</u>	<u>49,303</u>	<u>3,308,328</u>
(49,719)	1,565,820	40,618	1,594,821
<u>51,089</u>	<u>711,909</u>	<u>379,560</u>	<u>2,555,389</u>
<u>\$ 1,370</u>	<u>\$2,277,729</u>	<u>\$420,178</u>	<u>\$4,150,210</u>

CITY OF SHELDON  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH BALANCES  
GOVERNMENTAL FUNDS - Continued  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

	<u>General</u>	<u>Tax Increment Financing</u>	<u>Local Option Sales Tax</u>
CASH BASIS FUND BALANCES:			
Restricted for:			
Urban renewal purposes .....		\$ 203,220	
Community betterment .....			\$509,444
Debt service .....			
Capital projects .....			
Community and economic development .....			
Employee benefits .....			
Streets .....			
Police purposes .....			
Committed for:			
Library purposes .....	\$ 22,895		
Airport purposes .....	66,009		
Park purposes .....	25,835		
Museum purposes .....	70,065		
Economic development .....	12,987		
Assigned for:			
Equipment purchases .....	106,000		
Public safety purposes .....	406,932		
Recreation trails maintenance .....	43,943		
Cemetery purposes .....	5,000		
Unassigned .....	<u>(21,397)</u>	<u>          </u>	<u>          </u>
TOTAL CASH BASIS FUND BALANCES	<u>\$ 738,269</u>	<u>\$ 203,220</u>	<u>\$509,444</u>

Exhibit B

<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>	<u>Total</u>
			\$ 203,220
			509,444
\$ 1,370			1,370
	\$2,277,729		2,277,729
		\$174,783	174,783
		105,514	105,514
		134,423	134,423
		5,920	5,920
			22,895
			66,009
			25,835
			70,065
			12,987
			106,000
			406,932
			43,943
			5,000
		(462)	(21,859)
<u>\$ 1,370</u>	<u>\$2,277,729</u>	<u>\$420,178</u>	<u>\$4,150,210</u>

CITY OF SHELDON  
 RECONCILIATION OF THE STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,  
 AND CHANGES IN CASH BALANCES TO THE STATEMENT OF ACTIVITIES AND  
 NET ASSETS - GOVERNMENTAL FUNDS  
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

TOTAL GOVERNMENTAL FUNDS CASH BALANCES PER EXHIBIT B ..... \$4,150,210

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE  
 STATEMENT OF ACTIVITIES AND NET ASSETS ARE DIFFERENT BECAUSE:

The internal service fund is used by the City to charge the cost of partial self  
 funding the City's health insurance benefit plan to the individual funds. A  
 portion of the assets of the internal service fund are included in governmental  
 activities in the Statement of Net Assets. .... 170,483

CASH BASIS NET ASSETS OF GOVERNMENTAL ACTIVITIES PER EXHIBIT A \$4,320,693

NET CHANGE IN CASH BALANCES PER EXHIBIT B ..... \$1,594,821

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE  
 STATEMENT OF ACTIVITIES AND NET ASSETS ARE DIFFERENT BECAUSE:

The internal service fund is used by the City to charge the cost of partial self  
 funding the City's health insurance benefit plan to the individual funds. A  
 portion of the change in net assets of the internal service fund is reported with  
 governmental activities. .... (48,537)

CHANGE IN CASH BASIS NET ASSETS OF GOVERNMENTAL  
 ACTIVITIES PER EXHIBIT A \$1,546,284

CITY OF SHELDON  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH BALANCES - PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Enterprise Funds</u>			<u>Internal Service</u>
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>	<u>Self-Insurance</u>
OPERATING RECEIPTS:				
Charges for services .....	\$ 830,450	\$656,500	\$1,486,950	
Reimbursements from operating funds ..				\$423,781
Reimbursements from employees and insurance.....				7,305
Miscellaneous .....	<u>23,079</u>	<u>5,707</u>	<u>28,786</u>	
TOTAL OPERATING RECEIPTS	<u>853,529</u>	<u>662,207</u>	<u>1,515,736</u>	<u>431,086</u>
OPERATING DISBURSEMENTS:				
Business type activities:				
Cost of sales and services .....	608,887	560,104	1,168,991	
Insurance charges and claims .....				<u>345,141</u>
TOTAL OPERATING DISBURSEMENTS	<u>608,887</u>	<u>560,104</u>	<u>1,168,991</u>	<u>345,141</u>
EXCESS OF OPERATING RECEIPTS OVER OPERATING DISBURSEMENTS	<u>244,642</u>	<u>102,103</u>	<u>346,745</u>	<u>85,945</u>
NON-OPERATING RECEIPTS (DISBURSEMENTS):				
Interest on investments .....	13,090	4,932	18,022	2,856
Purchase of capital assets .....	(164,537)		(164,537)	
Debt service payments:				
Revenue note principal .....	(103,638)	(40,000)	(143,638)	
Revenue note interest .....	<u>(72,995)</u>	<u>(14,370)</u>	<u>(87,365)</u>	
TOTAL NON-OPERATING RECEIPTS (DISBURSEMENTS)	<u>(328,080)</u>	<u>(49,438)</u>	<u>(377,518)</u>	<u>2,856</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	(83,438)	52,665	(30,773)	88,801
OPERATING TRANSFERS IN .....	125,000		125,000	
OPERATING TRANSFERS OUT .....	<u>(20,167)</u>	<u>(20,167)</u>	<u>(40,334)</u>	<u>(100,000)</u>
NET CHANGE IN CASH BALANCES	21,395	32,498	53,893	(11,199)
CASH BALANCES - BEGINNING OF YEAR	<u>1,186,579</u>	<u>447,721</u>	<u>1,634,300</u>	<u>348,810</u>
CASH BALANCES - END OF YEAR	<u>\$1,207,974</u>	<u>\$480,219</u>	<u>\$1,688,193</u>	<u>\$337,611</u>

CITY OF SHELDON  
 STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND  
 CHANGES IN CASH BALANCES - PROPRIETARY FUNDS - Continued  
 FOR THE YEAR ENDED JUNE 30, 2011

	<u>Enterprise Funds</u>			<u>Internal Service</u>
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>	<u>Self-Insurance</u>
CASH BASIS FUND BALANCES:				
Restricted, expendable for:				
Revenue note retirement .....		\$ 12,691	\$ 12,691	
Sewer improvement .....		90,000	90,000	
Sewer replacement .....		81,181	81,181	
Water deposits .....	\$ 42,155		42,155	
Unreserved .....	<u>1,165,819</u>	<u>296,347</u>	<u>1,462,166</u>	<u>\$337,611</u>
TOTAL CASH BASIS FUND BALANCES	<u>\$1,207,974</u>	<u>\$480,219</u>	<u>\$1,688,193</u>	<u>\$337,611</u>

CITY OF SHELDON  
 RECONCILIATION OF THE STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,  
 AND CHANGES IN CASH BALANCES TO THE STATEMENT OF ACTIVITIES AND  
 NET ASSETS - PROPRIETARY FUNDS  
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

TOTAL ENTERPRISE FUNDS CASH BALANCES PER EXHIBIT D ..... \$1,688,193

AMOUNTS REPORTED FOR BUSINESS TYPE ACTIVITIES IN THE  
 STATEMENT OF ACTIVITIES AND NET ASSETS ARE DIFFERENT BECAUSE:

The internal service fund is used by the City to charge the cost of partial self  
 funding the City's health insurance benefit plan to the individual funds. A  
 portion of the assets of the internal service fund are included in business type  
 activities in the Statement of Net Assets. .... 167,128

CASH BASIS NET ASSETS OF BUSINESS TYPE ACTIVITIES PER EXHIBIT A \$1,855,321

NET CHANGE IN CASH BALANCES - ENTERPRISE FUNDS PER EXHIBIT D . \$ 53,893

AMOUNTS REPORTED FOR BUSINESS TYPE ACTIVITIES IN THE  
 STATEMENT OF ACTIVITIES AND NET ASSETS ARE DIFFERENT BECAUSE:

The internal service fund is used by the City to charge the cost of partial self  
 funding the City's health insurance benefit plan to the individual funds. A  
 portion of the change in net assets of the internal service fund is reported with  
 business type activities. .... 37,338

CHANGE IN CASH BASIS NET ASSETS OF BUSINESS TYPE ACTIVITIES  
 PER EXHIBIT A \$ 91,231

CITY OF SHELDON  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH BALANCES - FIDUCIARY FUND  
FOR THE YEAR ENDED JUNE 30, 2011

	Agency Cafeteria <u>Plan</u>
CASH BALANCE - BEGINNING OF YEAR .....	\$ 1,120
RECEIPTS:	
Contributions .....	12,700
DISBURSEMENTS:	
Cafeteria plan benefits paid .....	<u>(13,839)</u>
CASH BALANCE - END OF YEAR	<u><u>\$ (19)</u></u>



CITY OF SHELDON  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Sheldon is a political subdivision of the State of Iowa located in O'Brien and Sioux Counties. It was first incorporated in 1876 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council-Manager form of government with the Mayor and Council Members elected on a non-partisan basis. The City of Sheldon provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. It also provides water and sewer utilities services for its citizens.

**A. Reporting Entity**

For financial reporting purposes, the City has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. It was determined that the City has no component units.

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments.

**B. Basis of Presentation**

Government-wide Financial Statement - The Statement of Activities and Net Assets - Cash Basis reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets - Cash Basis presents the City's nonfiduciary net assets. Net assets are reported in two categories:

*Expendable restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets - Cash Basis demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants, contributions, and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary funds, and fiduciary funds even though the latter are excluded from the government-wide statements. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

*The General Fund* is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges, and the capital improvement costs not paid from other funds.

*Special Revenue:*

*The Tax Increment Financing Fund* is used to account for receipts from the tax authorized by ordinance in the urban renewal district and used to pay the principal and interest on the general obligation capital loan notes and other indebtedness incurred for urban renewal redevelopment projects.

*The Local Option Sales Tax Fund* is used to account for the receipts from the tax authorized by referendum and used for property tax relief and community betterment.

*The Debt Service Fund* is used to account for the payment of interest and principal on the City's general long-term debt.

*The Capital Projects Fund* is used to account for all resources used in the acquisition and construction of capital facilities.

The City reports the following major proprietary funds:

*Enterprise:*

*The Water Fund* is used to account for the operation and maintenance of the City's water system.

*The Sewer Fund* is used to account for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

Additionally, the City reports the following funds:

*Proprietary Fund* - An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the City and provided to other departments or agencies on a cost reimbursement basis.

*Fiduciary Fund* - Agency Fund is used to account for assets held by the City as an agent for individuals.

### **C. Measurement Focus and Basis of Accounting**

The City of Sheldon maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Subsequent events were evaluated by management for disclosure up to the date of the auditors' report, which is the date the financial statements were available to be issued.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

### **D. Governmental Cash Basis Fund Balances**

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed - Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the City Council through ordinance or resolution approved prior to year end. Those committed amounts cannot be used for any other purposes unless the City Council removes or changes the specified use by taking the same action it employed to commit those amounts.

Assigned - Amounts the Council intends to use for specific purposes.

Unassigned - All amounts not included in other spendable classifications.

### **E. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

## 2. CASH AND INVESTMENTS

The City's demand deposits, savings accounts, and certificates of deposit at June 30, 2011 were entirely covered by Federal depository insurance or by a multiple financial institution collateral pool in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the members of the pool to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City's cash and investments consisted of the following at June 30, 2011:

Cash on hand .....	\$ 160
Demand deposits .....	166,435
Certificates of deposit/savings accounts .....	5,043,411
Repurchase agreements .....	<u>965,989</u>
	<u>\$6,175,995</u>

The City's investments in repurchase agreements are collateralized by obligations of the United States government or its agencies. The City has signed a custodial agreement with the custodian. The repurchase agreements are reported at cost, which approximates market value. These investments are insured or registered with the securities held by the City or its agent in the City's name.

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

## 3. BONDS AND NOTES PAYABLE

Annual debt service requirements to maturity for the City's long-term debt are as follows:

Year Ending June 30,	Governmental Activities				Tax Increment Financing Revenue Bonds	
	General Obligation Bonds/Notes		Sales and Service Tax Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 280,000	\$176,990	\$125,000	\$ 21,698	\$ 225,000	\$107,750
2013	440,000	133,165	130,000	16,822	235,000	98,525
2014	450,000	123,585	135,000	11,622	245,000	88,773
2015	460,000	111,460	140,000	6,020	255,000	78,360
2016	475,000	97,205			265,000	67,267
2017-2021	<u>2,190,000</u>	<u>227,163</u>			<u>1,195,000</u>	<u>143,085</u>
Total	<u>\$4,295,000</u>	<u>\$869,568</u>	<u>\$530,000</u>	<u>\$ 56,162</u>	<u>\$2,420,000</u>	<u>\$583,760</u>

## Governmental Activities - Continued

Year Ending June 30,	USDA Airport Loan		Total	
	Principal	Interest	Principal	Interest
2012	\$ 20,394	\$ 12,034	\$ 650,394	\$ 318,472
2013	21,362	11,066	826,362	259,578
2014	22,377	10,051	852,377	234,031
2015	23,440	8,988	878,440	204,828
2016	24,553	7,875	764,553	172,347
2017-2021	<u>141,228</u>	<u>20,730</u>	<u>3,526,228</u>	<u>390,978</u>
Total	<u>\$253,354</u>	<u>\$ 70,744</u>	<u>\$7,498,354</u>	<u>\$1,580,234</u>

## Revenue Notes

Year Ending June 30,	Sewer Revenue Capital Loan Notes		Water Revenue Capital Loan Notes		Total Revenue Notes	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 42,000	\$ 13,170	\$ 108,342	\$ 68,183	\$ 150,342	\$ 81,353
2013	43,000	11,910	113,584	63,151	156,584	75,061
2014	45,000	10,620	118,753	57,880	163,753	68,500
2015	47,000	9,270	124,266	52,366	171,266	61,636
2016	49,000	7,860	129,963	46,597	178,963	54,457
2017-2021	213,000	16,320	746,596	136,625	959,596	152,945
2022	<u>          </u>	<u>          </u>	<u>170,731</u>	<u>5,900</u>	<u>170,731</u>	<u>5,900</u>
Total	<u>\$439,000</u>	<u>\$ 69,150</u>	<u>\$1,512,235</u>	<u>\$430,702</u>	<u>\$1,951,235</u>	<u>\$499,852</u>

### General Obligation Bonds/Notes

The City's total general obligation bonds/notes at June 30, 2011 were \$4,295,000.

### Sales and Service Tax Bonds

On October 3, 1995, the residents of the City approved a local option sales tax at the rate of 1%. The revenues must be applied 37.5% for property tax relief and 62.5% for community betterment. The City has issued sales and service tax bonds to defray the cost of the Community Services Center project in accordance with Chapter 422B. The bonds are payable from 62.5% of the local option sales tax collected. If the 62.5% is insufficient to pay the bonds and interest, the shortfall may be paid from debt service. Therefore, the bonds are a general obligation of the City.

### Tax Increment Financing Revenue Bonds

The City issued \$3,045,000 of urban renewal revenue annual appropriation capital loan notes in October 2007 for the purpose of defraying a portion of the costs of an aquatic center within the urban renewal district. The bonds are payable solely from the tax increment financing (TIF) receipts generated by increased property values in the City's TIF district and credited to the Special Revenue, Urban Renewal Tax Increment Fund in accordance with Chapter 403.19 of the Code of Iowa. TIF receipts are generally projected to produce 100 percent of the debt service requirements over the life of the bonds. The proceeds of the urban renewal tax increment financing revenue bonds shall

be expended only for purposes which are consistent with the plans of the City's urban renewal area. The bonds are not a general obligation of the City. The bonds are subject at all times to non-appropriation by the City council. Therefore, only the principal and interest appropriated by the council is subject to the constitutional debt limit of the City. The amount appropriated for the fiscal year ending June 30, 2012 is \$332,750 including principal and interest. For the current year, principal and interest paid and TIF receipts were \$331,350 and \$2,215,974, respectively.

Under the terms of the bonds, the City is required to hold 10% of the bond proceeds in a reserve fund. The balance in this fund, including interest, is \$325,780 at June 30, 2011. This fund is included in the tax included in the tax increment financing fund.

### **Revenue Notes**

The City has pledged future wastewater customer receipts, net of specific operating disbursements, to repay the \$814,000 sewer revenue capital loan notes issued in September 1999. Proceeds from the notes provided financing for the construction of wastewater improvements. The notes are payable solely from wastewater customer net receipts and are payable through 2020. Annual principal and interest payments are expected to require less than 54% of net revenues. The total principal and interest payments remaining to be paid on the notes are \$508,150. For the current year, principal and interest paid and total customer net receipts were \$54,370 and \$102,103, respectively.

The resolution providing for the issuance of the sewer revenue capital loan notes include the following provisions:

- (A) The notes will only be redeemed from the future earnings of the enterprise activity and the note holder holds a lien on the future earnings of the funds.
- (B) Sufficient monthly transfers shall be made into a separate sewer revenue sinking account for the purpose of making the principal and interest payments when due.
- (C) Additional monthly transfers shall be made to a separate sewer reserve account until a specific minimum balance has been accumulated. This account is restricted for the purpose of paying principal and interest payments when insufficient money is available in the sinking account.
- (D) Additional monthly transfers of \$2,500 to a sewer improvement account shall be made until a balance of \$90,000 has been accumulated. This account is restricted for the purpose of paying principal and interest payments when insufficient money is available in the sinking and reserve accounts and to pay the cost of extraordinary maintenance expenses or repairs, renewals and replacements not included in the annual budget and for capital improvements to the systems.
- (E) User rates shall be established at a level which produces and maintains net receipts at a level not less than 110% of the amount of principal and interest on the notes falling due in the same year.

During the year ended June 30, 2011, the City was in compliance with all the sewer revenue notes provisions.

The City has also pledged future water customer receipts, net of specific operating expenses, to repay the \$1,900,000 water revenue capital loan notes issued in March 2007. Proceeds from the notes provided financing for the prepayment of the City's obligation to Lewis and Clark Regional Water System. The notes are payable solely from water customer net receipts and are payable through 2022. Annual principal and interest payments are expected to require less than 73% of net revenues. The total principal and interest payments remaining to be paid on the notes are \$1,942,937. For the current year, principal and interest paid and total customer net receipts were \$176,633 and \$244,642, respectively.

The notes were purchased by a local bank in participation with three other local banks.

The resolution providing for the issuance of the water revenue capital loan notes include the following provisions:

- (A) The notes will only be redeemed from the future earnings of the enterprise activity and the note holder holds a lien on the future earnings of the funds.
- (B) Sufficient monthly transfers shall be made into a separate water revenue sinking account for the purpose of making the principal and interest payments when due.
- (C) Additional monthly transfers shall be made to a separate water reserve account until a specific minimum balance has been accumulated. This account is restricted for the purpose of paying principal and interest payments when insufficient money is available in the sinking account.
- (D) User rates shall be established at a level which produces and maintains net revenues at a level not less than 125% of the amount of principal and interest on the notes falling due in the same year.

The purchaser of the notes has waived provisions (B) and (C). The City was in compliance with the other water revenue notes provisions during the year ended June 30, 2011.

#### **Airport Loan**

This loan was made through the United States Department of Agriculture for improvements at the City's airport. The loan has an unpaid balance of \$253,354 as of June 30, 2011, which will be paid from the general fund. The notes call for annual payments of \$32,428 including interest at 4.75%.

#### **4. DUE FROM SHELDON CHAMBER AND DEVELOPMENT CORPORATION**

The City has granted the Sheldon Community and Development Corporation (SCDC) land and also financed SCDC's purchase of land. The land is being held for development and resale. The SCDC has agreed to pay a portion of the sales price back to the City as the land is sold.

## 5. INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Local option sales tax	\$ 55,000
	Road use tax	5,166
	Proprietary:	
	Enterprise:	
	Water	20,167
	Sewer	20,167
		<u>100,500</u>
Special Revenue:		
Tax increment financing	Capital projects	<u>50,000</u>
Debt Service	General	32,428
	Special Revenue:	
	Tax increment financing	<u>165,425</u>
		<u>197,853</u>
Capital Projects	Special Revenue:	
	Tax increment financing	1,490,000
	Local option sales tax	15,000
	LMI	15,000
	FEMA	8,956
		<u>1,528,956</u>
Proprietary:		
Enterprise:	Special Revenue:	
Water	LMI	<u>125,000</u>
Special Revenue:	Special Revenue:	
Employee benefits	Local option sales tax	53,582
	Proprietary:	
	Internal service	
	Self-insurance	<u>100,000</u>
		<u>153,582</u>
Special Revenue:	Special Revenue:	
LMI	Tax increment financing	<u>49,843</u>
TOTAL INTERFUND TRANSFERS		<u>\$2,205,734</u>

## 6. PENSION AND RETIREMENT BENEFITS

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, IA 50306-9117.



Most regular plan members are required to contribute 4.50% of their annual covered salary and the City is required to contribute 6.95% of annual covered salaries. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by State statute. The City's contributions to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$103,234, \$94,238, and \$84,712, respectively, equal to the required contributions for each year.

## 7. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

### Plan Description

The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits to active and retired employees and their eligible dependents. There are 26 active and no retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a self-insured plan. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

### Funding Policy

The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the city and plan members are \$554 for single coverage and \$1,447 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2011, the city contributed \$423,781 and plan members eligible for benefits contributed \$6,677 to the plan.

## 8. COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement, or death. In addition, employees over age 55 have accumulated earned but unused sick pay which is payable upon retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned compensated absences payable to employees at June 30, 2011 is as follows:

### Governmental activities:

General fund .....	\$ 84,644
Special revenue:	
Road use tax .....	<u>16,309</u>
Total governmental activities	<u>100,953</u>

### Business type activities:

Proprietary:	
Enterprise:	
Water .....	23,962
Sewer .....	<u>16,538</u>
Total business type activities	<u>40,500</u>

TOTAL	<u>\$141,453</u>
-------	------------------

**9. HEALTH CARE FACILITY REVENUE BONDS AND HOUSING REVENUE NOTES**

The City has issued a total of \$11,880,000 of Health Care Facility Revenue Bonds and Housing Revenue Notes under the provisions of Chapter 419 of the Code of Iowa, of which \$6,679,091 is outstanding at June 30, 2011. The bonds and related interest are payable solely from the rents payable by tenants of the properties constructed, and the bond principal and interest do not constitute liabilities of the City.

**10. RELATED PARTY TRANSACTIONS**

The City has business transactions between the City and City officials, totaling \$118,141 during the year ended June 30, 2011. See item 11-II-D in the Schedule of Findings.

**11. CONTRACT AND OTHER COMMITMENTS**

The City has entered into construction contracts for various projects. A summary of the contracts is as follows:

Contract total .....	\$1,563,757
Paid as of June 30, 2011 .....	<u>212,198</u>
Balance to complete	<u>\$1,351,559</u>

The City has also entered into several tax increment financing rebate agreements with local businesses. The City has agreed to rebate the taxes paid by the business over a period of years. The City will expense the rebates as the taxes are collected and returned to the businesses.

**12. SUBSEQUENT EVENTS**

Subsequent to June 30, 2011, the City entered into a construction contract for \$644,960. This contract is for Sheldon Industrial Park utility improvements.

**13. RISK MANAGEMENT**

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 645 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of

membership and are maintained to equal 150 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2011 were \$108,376.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by The Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2011, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City has established a self-insurance health insurance fund (an internal service fund) to account for group insurance risks. The City's plan has established a specific stop-loss amount of \$20,000 and an aggregate stop-loss of 125% of expected claims for the year. The City purchases commercial insurance for claims in excess of coverage provided.

The City has workmen's compensation coverage through the Iowa Municipalities Workers' Compensation Association. In addition, the City purchases employee blanket bond coverage from other insurers. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

#### 14. COLLECTIVE BARGAINING AGREEMENT

All employees, except for the office personnel and management, are covered by collective bargaining agreements which expire June 30, 2014.

#### 15. ACCOUNTING CHANGE/RESTATEMENT

Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB-54), was implemented during the year ended June 30, 2011. The effect of the change is as follows:

	<u>General</u>	Total Nonmajor Governmental <u>Funds</u>
Cash balances June 30, 2010, as previously reported .....	\$617,414	\$404,831
Changes in fund type classification per implementation of GASB 54:		
Trails maintenance to the general fund .....	31,401	(31,401)
Seizure to nonmajor fund (special revenues) .....	<u>(6,130)</u>	<u>6,130</u>
Cash balances July 1, 2010, as restated	<u>\$642,685</u>	<u>\$379,560</u>

## **REQUIRED SUPPLEMENTARY INFORMATION**

CITY OF SHELDON  
BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN BALANCES - BUDGET AND ACTUAL (CASH BASIS) -  
ALL GOVERNMENTAL AND PROPRIETARY FUNDS  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2011

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	Total <u>Actual</u>
RECEIPTS:			
Property taxes .....	\$1,204,482		\$1,204,482
Other city taxes .....	638,549		638,549
Tax increment financing revenues .....	2,215,974		2,215,974
Licenses and permits .....	11,975		11,975
Use of money and property .....	117,228	\$ 20,878	138,106
Intergovernmental .....	705,140		705,140
Charges for services .....	395,888	1,910,731	2,306,619
Special assessments .....	14,998		14,998
Miscellaneous .....	125,529	48,791	174,320
TOTAL RECEIPTS	<u>5,429,763</u>	<u>1,980,400</u>	<u>7,410,163</u>
DISBURSEMENTS:			
Public safety .....	831,273		831,273
Public works .....	880,355		880,355
Health and social services .....	15,500		15,500
Culture and recreation .....	464,512		464,512
Community and economic development .....	356,868		356,868
General government .....	342,258		342,258
Debt service .....	881,645		881,645
Capital projects .....	3,370,859		3,370,859
Business type .....		1,564,531	1,564,531
Non-program .....		358,980	358,980
TOTAL DISBURSEMENTS	<u>7,143,270</u>	<u>1,923,511</u>	<u>9,066,781</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>(1,713,507)</u>	<u>56,889</u>	<u>(1,656,618)</u>
OTHER FINANCING SOURCES (USES):			
Operating transfer in .....	2,080,734	125,000	2,205,734
Operating transfer out .....	(2,065,400)	(140,334)	(2,205,734)
Bond proceeds - net .....	3,170,200		3,170,200
Proceeds - sale of assets .....	122,794		122,794
TOTAL OTHER FINANCING SOURCES (USES)	<u>3,308,328</u>	<u>(15,334)</u>	<u>3,292,994</u>
EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES (USES) OVER (UNDER) DISBURSEMENTS	1,594,821	41,555	1,636,376
BALANCE - BEGINNING OF YEAR .....	<u>2,555,389</u>	<u>1,984,230</u>	<u>4,539,619</u>
BALANCE - END OF YEAR	<u>\$4,150,210</u>	<u>\$2,025,785</u>	<u>\$6,175,995</u>

Less Funds Not Required to be Budgeted	Net Actual	Original Budget	Final Budget	Final to Actual Variance
	\$1,204,482	\$ 1,194,661	\$ 1,194,661	\$ 9,821
	638,549	531,545	628,545	10,004
	2,215,974	2,207,116	2,207,116	8,858
	11,975	51,400	16,400	(4,425)
\$ 2,856	135,250	135,400	135,400	(150)
	705,140	1,831,891	711,867	(6,727)
423,781	1,882,838	2,091,200	1,908,200	(25,362)
	14,998	406	14,593	405
20,005	154,315	669,168	645,668	(491,353)
<u>446,642</u>	<u>6,963,521</u>	<u>8,712,787</u>	<u>7,462,450</u>	<u>(498,929)</u>
	831,273	892,943	859,193	27,920
	880,355	1,017,244	926,244	45,889
	15,500	15,500	15,500	
	464,512	511,436	511,436	46,924
	356,868	679,031	362,531	5,663
	342,258	350,402	350,402	8,144
	881,645	882,746	882,746	1,101
	3,370,859	2,620,000	4,420,000	1,049,141
	1,564,531	2,216,169	2,216,169	651,638
358,980				
<u>358,980</u>	<u>8,707,801</u>	<u>9,185,471</u>	<u>10,544,221</u>	<u>1,836,420</u>
<u>87,662</u>	<u>(1,744,280)</u>	<u>(472,684)</u>	<u>(3,081,771)</u>	<u>1,337,491</u>
	2,205,734	2,396,310	2,396,310	(190,576)
(100,000)	(2,105,734)	(2,396,310)	(2,396,310)	290,576
	3,170,200		3,220,000	(49,800)
	<u>122,794</u>	<u>100,000</u>	<u>100,000</u>	<u>22,794</u>
<u>(100,000)</u>	<u>3,392,994</u>	<u>100,000</u>	<u>3,320,000</u>	<u>72,994</u>
(12,338)	1,648,714	(372,684)	238,229	1,410,485
<u>349,930</u>	<u>4,189,689</u>	<u>4,378,371</u>	<u>4,534,557</u>	<u>(344,868)</u>
<u>\$337,592</u>	<u>\$5,838,403</u>	<u>\$4,005,687</u>	<u>\$4,772,786</u>	<u>\$1,065,617</u>

CITY OF SHELDON  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
FOR THE YEAR ENDED JUNE 30, 2011

The budgetary comparison is presented as Required Supplementary Information in accordance with Government Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business-type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$1,358,750. This budget amendment is reflected in the final budgeted amounts.



## **OTHER SUPPLEMENTARY INFORMATION**

CITY OF SHELDON  
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH BALANCES  
ALL NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Special Revenue Funds</u>		
	<u>LHAP Reuse</u>	<u>Employee Benefits</u>	<u>Road Use Tax</u>
RECEIPTS:			
Property tax .....		\$321,304	
Other city taxes .....		11,829	
Use of money and property .....	\$ 473	1,038	
Intergovernmental .....			\$454,498
Miscellaneous .....			
TOTAL RECEIPTS	<u>473</u>	<u>334,171</u>	<u>454,498</u>
DISBURSEMENTS:			
Public safety .....		208,737	
Public works .....		132,117	399,540
Culture and recreation .....		57,425	
Community and economic development .....			
General government .....		20,464	
TOTAL DISBURSEMENTS		<u>418,743</u>	<u>399,540</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>473</u>	<u>(84,572)</u>	<u>54,958</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in .....		153,582	
Operating transfers out .....			(5,166)
TOTAL OTHER FINANCING SOURCES (USES)		<u>153,582</u>	<u>(5,166)</u>
NET CHANGE IN CASH BALANCES	473	69,010	49,792
CASH BALANCES - BEGINNING OF YEAR, as restated	<u>46,290</u>	<u>36,504</u>	<u>76,192</u>
CASH BALANCES - END OF YEAR	<u>\$ 46,763</u>	<u>\$105,514</u>	<u>\$125,984</u>
CASH BASIS FUND BALANCES:			
Restricted for:			
Community and economic development .....	\$ 46,763		
Employee benefits .....		\$105,514	
Streets .....			\$125,984
Police purposes .....			
Unassigned .....			
TOTAL CASH BASIS FUND BALANCES	<u>\$ 46,763</u>	<u>\$105,514</u>	<u>\$125,984</u>

## Schedule 1

<u>Special Revenue Funds</u>				
<u>LMI</u>	<u>Housing Rehab</u>	<u>Seizure</u>	<u>FEMA</u>	<u>Total</u>
				\$321,304
				11,829
\$ 3,287				4,798
			\$ 21,341	475,839
<u>3,287</u>	<u>          </u>	<u>          </u>	<u>21,341</u>	<u>813,770</u>
		\$ 210		208,947
			3,946	535,603
	\$ 16			57,425
				16
	<u>16</u>	<u>210</u>	<u>3,946</u>	<u>20,464</u>
				<u>822,455</u>
<u>3,287</u>	<u>(16)</u>	<u>(210)</u>	<u>17,395</u>	<u>(8,685)</u>
49,843				203,425
<u>(140,000)</u>	<u>          </u>	<u>          </u>	<u>(8,956)</u>	<u>(154,122)</u>
<u>(90,157)</u>	<u>          </u>	<u>          </u>	<u>(8,956)</u>	<u>49,303</u>
(86,870)	(16)	(210)	8,439	40,618
<u>214,890</u>	<u>(446)</u>	<u>6,130</u>	<u>          </u>	<u>379,560</u>
<u>\$128,020</u>	<u>\$ (462)</u>	<u>\$ 5,920</u>	<u>\$ 8,439</u>	<u>\$420,178</u>
\$128,020				\$174,783
				105,514
			\$ 8,439	134,423
		\$ 5,920		5,920
	\$ (462)			(462)
<u>\$128,020</u>	<u>\$ (462)</u>	<u>\$ 5,920</u>	<u>\$ 8,439</u>	<u>\$420,178</u>

CITY OF SHELDON  
STATEMENT OF INDEBTEDNESS  
FOR THE YEAR ENDED JUNE 30, 2011

<u>Obligation</u>	<u>Date of Issue</u>	<u>Amount Interest Rates</u>	<u>Originally Issued</u>	<u>Final Due Date</u>
<u>GOVERNMENTAL ACTIVITIES:</u>				
General Obligation Bonds/Notes:				
Taxable capital loan notes	11-15-2004		\$1,535,000	
Capital loan notes, series 2008	4-01-2008	2.90 - 3.65%	1,860,000	6-01-2018
Taxable capital loan notes, series 2011A	1-31-2011	1.85 - 4.30%	2,200,000	6-1-2019
Capital loans notes, series 2011B	1-31-2011	3.10 - 3.60%	1,020,000	6-1-2021
Total General Obligation Bonds/Notes				
Tax Increment Financing Bonds:				
Urban renewal revenue annual appropriation capital loan notes	10-19-2007	4.10 - 4.75%	3,045,000	6-01-2020
Sales and Service Tax Bonds:				
Refunding bonds	5-01-2003	3.90 - 4.30%	1,415,000	6-01-2015
Other Long-Term Debt:				
USDA airport loan	6-06-2001	4.75%	400,000	6-05-2021
TOTAL GOVERNMENTAL ACTIVITIES				
<u>BUSINESS TYPE ACTIVITIES:</u>				
Revenue Notes:				
Sewer revenue capital loan notes	9-15-1999	3.00%	814,000	6-01-2020
Water revenue capital loan notes	3-25-2007	4.59%	1,900,000	6-01-2022
TOTAL BUSINESS TYPE ACTIVITIES				

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ 50,000		\$ 50,000		\$ 2,400	
1,345,000		270,000	\$1,075,000	42,345	
	\$2,200,000		2,200,000		
	<u>1,020,000</u>		<u>1,020,000</u>		
<u>1,395,000</u>	<u>3,220,000</u>	<u>320,000</u>	<u>4,295,000</u>	<u>44,745</u>	
<u>2,635,000</u>		<u>215,000</u>	<u>2,420,000</u>	<u>116,350</u>	
<u>655,000</u>		<u>125,000</u>	<u>530,000</u>	<u>26,322</u>	
<u>272,823</u>		<u>19,469</u>	<u>253,354</u>	<u>12,959</u>	
<u>\$4,957,823</u>	<u>\$3,220,000</u>	<u>\$679,469</u>	<u>\$7,498,354</u>	<u>\$200,376</u>	
\$ 479,000		\$ 40,000	\$ 439,000	\$ 14,370	
1,615,873		103,638	1,512,235	72,995	
<u>\$2,094,873</u>		<u>\$143,638</u>	<u>\$1,951,235</u>	<u>\$ 87,365</u>	

CITY OF SHELDON  
BOND AND NOTE MATURITIES  
JUNE 30, 2011

General Obligation Bonds/Notes

Year Ending June 30,	Capital Loan Notes Issued 4-1-2008		Taxable Capital Loan Notes Issued 1-31-2011		Capital Loan Notes Issued 1-31-2011		General Obligation Total
	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount	
2012	2.90%	\$ 280,000					\$ 280,000
2013	3.05%	120,000	1.85%	\$ 320,000			440,000
2014	3.20%	125,000	2.50%	325,000			450,000
2015	3.35%	130,000	3.00%	330,000			460,000
2016	3.45%	135,000	3.50%	340,000			475,000
2017	3.55%	140,000	3.85%	355,000			495,000
2018	3.65%	145,000	4.10%	365,000			510,000
2019			4.30%	165,000	3.10%	\$ 215,000	380,000
2020					3.35%	395,000	395,000
2021					3.60%	410,000	410,000
		<u>\$ 1,075,000</u>		<u>\$ 2,200,000</u>		<u>\$ 1,020,000</u>	<u>\$ 4,295,000</u>

Other Governmental Activities Bonds/Notes

Year Ending June 30,	Urban Renewal Revenue Annual Appropriation Capital Loan Notes Issued 10-19-07		Sales and Service Tax Refunding Bonds Issued 5-1-2003		USDA Airport Loan Issued 6-6-2001		Other Governmental Activities Total
	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount	
2012	4.10%	\$ 225,000	3.90%	\$ 125,000	4.750%	\$ 20,394	\$ 370,394
2013	4.15%	235,000	4.00%	130,000	4.750%	21,362	386,362
2014	4.25%	245,000	4.15%	135,000	4.750%	22,377	402,377
2015	4.35%	255,000	4.30%	140,000	4.750%	23,440	418,440
2016	4.45%	265,000			4.750%	24,553	289,553
2017	4.50%	280,000			4.750%	25,720	305,720
2018	4.60%	290,000			4.750%	26,941	316,941
2019	4.70%	305,000			4.750%	28,221	333,221
2020	4.75%	320,000			4.750%	29,562	349,562
2021					4.750%	30,784	30,784
		<u>\$ 2,420,000</u>		<u>\$ 530,000</u>		<u>\$ 253,354</u>	<u>\$ 3,203,354</u>

See Accompanying Independent Auditors' Report

CITY OF SHELDON  
BOND AND NOTE MATURITIES - Continued  
JUNE 30, 2011

Revenue Notes

Year Ending June 30,	Water Revenue Capital Loan Notes Issued 3-25-2007		Sewer Revenue Capital Loan Notes Issued 9-15-1999		Revenue Notes Total
	Interest Rate	Amount	Interest Rate	Amount	
2012	4.590%	\$ 108,342	3.000%	\$ 42,000	\$ 150,342
2013	4.590%	113,584	3.000%	43,000	156,584
2014	4.590%	118,753	3.000%	45,000	163,753
2015	4.590%	124,266	3.000%	47,000	171,266
2016	4.590%	129,963	3.000%	49,000	178,963
2017	4.590%	136,137	3.000%	50,000	186,137
2018	4.590%	142,390	3.000%	52,000	194,390
2019	4.590%	149,001	3.000%	54,000	203,001
2020	4.590%	155,888	3.000%	57,000	212,888
2021	4.590%	163,180			163,180
2022	4.590%	170,731			170,731
		<u>\$ 1,512,235</u>		<u>\$ 439,000</u>	<u>\$ 1,951,235</u>

## **OTHER INFORMATION**



CITY OF SHELDON  
SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION -  
ALL GOVERNMENTAL FUNDS  
FOR THE LAST SEVEN YEARS

	<u>2011</u>	<u>2010</u>	<u>2009</u>
RECEIPTS:			
Property tax .....	\$1,204,482	\$1,129,515	\$1,101,847
Tax increment financing .....	2,215,974	2,063,537	1,849,357
Other City taxes .....	638,549	526,941	683,965
Licenses and permits .....	11,975	11,739	10,757
Use of money and property .....	117,228	120,068	159,167
Intergovernmental .....	705,140	960,474	512,412
Charges for services .....	395,888	540,672	626,339
Special assessments .....	14,998		1,815
Miscellaneous .....	<u>125,529</u>	<u>251,783</u>	<u>164,289</u>
 TOTAL RECEIPTS	 <u>\$5,429,763</u>	 <u>\$5,604,729</u>	 <u>\$5,109,948</u>
 DISBURSEMENTS:			
Public safety .....	\$ 831,273	\$1,003,796	\$ 964,191
Public works .....	880,355	1,199,692	955,752
Health and social services .....	15,500	15,500	15,500
Culture and recreation .....	464,512	492,326	532,690
Community and economic development ..	356,868	453,534	368,431
General government .....	342,258	374,716	324,849
Debt service .....	881,645	1,586,968	1,128,038
Capital projects .....	<u>3,370,859</u>	<u>1,091,594</u>	<u>1,951,447</u>
 TOTAL DISBURSEMENTS	 <u>\$7,143,270</u>	 <u>\$6,218,126</u>	 <u>\$6,240,898</u>

## Schedule 4

<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$1,000,580	\$1,088,289	\$1,163,190	\$1,380,145
1,381,795	1,215,979	1,146,197	1,010,582
591,117	519,010	455,606	461,224
11,838	41,560	10,685	10,473
204,717	143,511	123,571	104,066
1,242,981	1,380,683	520,969	620,081
490,988	480,405	476,627	467,448
109	833	653	3,920
<u>218,222</u>	<u>238,533</u>	<u>126,546</u>	<u>73,485</u>
<u>\$5,142,347</u>	<u>\$5,108,803</u>	<u>\$4,024,044</u>	<u>\$4,131,424</u>
\$ 765,503	\$1,011,219	\$ 668,867	\$ 675,878
1,193,661	862,975	811,163	794,134
371,462	500,724	428,609	385,817
309,073	837,469	146,387	161,755
318,461	337,527	319,084	521,762
1,340,354	699,461	781,458	1,166,454
<u>3,441,879</u>	<u>1,007,943</u>	<u>824,432</u>	<u>1,672,003</u>
<u>\$7,740,393</u>	<u>\$5,257,318</u>	<u>\$3,980,000</u>	<u>\$5,377,803</u>

CITY OF SHELDON  
CAPITAL ASSETS ACTIVITY  
FOR THE YEAR ENDED JUNE 30, 2011

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
GOVERNMENTAL ACTIVITIES				
COST OF CAPITAL ASSETS:				
Capital assets not being depreciated:				
Construction in progress .....	\$ 590,483	\$(318,133)		\$ 272,350
Land .....	<u>406,000</u>	<u>          </u>	<u>          </u>	<u>406,000</u>
Total capital assets not being depreciated	<u>996,483</u>	<u>(318,133)</u>	<u>          </u>	<u>678,350</u>
Capital assets being depreciated:				
Buildings and improvements .....	4,836,250	572,764		5,409,014
Aquatic Center .....	2,731,883			2,731,883
Equipment and vehicles .....	2,926,899	72,497	\$ (37,995)	2,961,401
Infrastructure .....	<u>9,402,061</u>	<u>318,646</u>	<u>          </u>	<u>9,720,707</u>
Total capital assets being depreciated	<u>19,897,093</u>	<u>963,907</u>	<u>(37,995)</u>	<u>20,823,005</u>
TOTAL COST OF CAPITAL ASSETS	<u>20,893,576</u>	<u>645,774</u>	<u>(37,995)</u>	<u>21,501,355</u>
ACCUMULATED DEPRECIATION:				
Building and improvements .....	1,721,489	122,479		1,843,968
Aquatic Center .....	209,444	109,276		318,720
Equipment and vehicles .....	1,757,055	183,511	(37,995)	1,902,571
Infrastructure .....	<u>4,334,485</u>	<u>330,084</u>	<u>          </u>	<u>4,664,569</u>
TOTAL ACCUMULATED DEPRECIATION	<u>8,022,473</u>	<u>745,350</u>	<u>(37,995)</u>	<u>8,729,828</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS - NET	<u>\$12,871,103</u>	<u>\$ (99,576)</u>	<u>\$          </u>	<u>\$12,771,527</u>

CITY OF SHELDON  
CAPITAL ASSETS ACTIVITY - Continued  
FOR THE YEAR ENDED JUNE 30, 2011

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
BUSINESS TYPE ACTIVITIES				
COST OF CAPITAL ASSETS:				
Capital assets not being depreciated:				
Construction in progress .....		\$ 120,298		\$ 120,298
Land .....	\$ 84,390			84,390
Lewis and Clark water rights .....	2,559,634			2,559,634
Total capital assets not being depreciated	<u>2,644,024</u>	<u>120,298</u>		<u>2,764,322</u>
Capital assets being depreciated:				
Water and sewer plants .....	4,982,008			4,982,008
Equipment and vehicles .....	932,292	25,000		957,292
Infrastructure .....	5,479,379	34,134		5,513,513
Total capital assets being depreciated	<u>11,393,679</u>	<u>59,134</u>		<u>11,452,813</u>
TOTAL COST OF CAPITAL ASSETS	<u>14,037,703</u>	<u>179,432</u>		<u>14,217,135</u>
ACCUMULATED DEPRECIATION:				
Water and sewer plants .....	3,256,534	110,460		3,366,994
Equipment and vehicles .....	572,139	58,924		631,063
Infrastructure .....	1,573,211	139,893		1,713,104
TOTAL ACCUMULATED DEPRECIATION	<u>5,401,884</u>	<u>309,277</u>		<u>5,711,161</u>
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS - NET	<u>\$ 8,635,819</u>	<u>\$(129,845)</u>	<u>\$</u>	<u>\$ 8,505,974</u>
Cost of loan fees .....	\$ 8,750			\$ 8,750
Less - accumulated depreciation .....	<u>4,740</u>	<u>\$ 437</u>		<u>5,177</u>
LOAN FEES - NET	<u>\$ 4,010</u>	<u>\$ (437)</u>	<u>\$</u>	<u>\$ 3,573</u>

**WINTHER, STAVE & Co., LLP**  
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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

The Honorable Mayor and  
Members of the City Council  
City of Sheldon  
Sheldon, IA 51201

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Sheldon, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated February 29, 2012. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses; and therefore, there can be no assurance that all such deficiencies have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

## Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Sheldon, and other parties to whom the City may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Winther, Stave + Co., LLP*

February 29, 2012

CITY OF SHELDON  
SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2011

**Part I: Findings Related to the Financial Statements**

**Internal control over Financial Reporting:**

No findings were noted.

**Instances of Non-Compliance:**

No findings were noted.

CITY OF SHELDON  
SCHEDULE OF FINDINGS - Continued  
FOR THE YEAR ENDED JUNE 30, 2011

**Part II: Other Findings Related to Required Statutory Reporting**

- 11-II-A Certified Budget - Disbursements during the year ended June 30, 2011 did not exceed the amounts budgeted.
- 11-II-B Questionable Expenditures - We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- 11-II-C Travel Expense - No expenditures of City money for travel expenses of spouses of City officials or employees were noted.
- 11-II-D Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Ron Rensink, Council Member, Owner of Perspective Insurance	Insurance	\$112,689
Mark Postma, Council Member, Owner of Bubbles Professional Dry Cleaning and Laundry	Towel cleaning	94
Brad Hindt, Council Member, Owner of Downtown Hardware	Supplies	5,131
Dave Popkes, Council Member, Owner Dave's Appliance	Appliances and repairs	227

The transactions with Mr. Postma and Mr. Popkes do not appear to be a conflict of interest since the total paid to each individual was less than \$1,500.

The transactions with Mr. Rensink do not appear to be a conflict of interest since they relate primarily to payment on the City's Iowa Community Assurance Pool (ICAP) insurance policy. The contract with ICAP was signed prior to Mr. Rensink being a council member and is therefore an exception under Chapter 362.5(7) of the Code of Iowa.

The transactions with Mr. Hindt may represent a conflict of interest since the total paid to his business was more than \$1,500 and competitive bidding was not utilized.



CITY OF SHELDON  
SCHEDULE OF FINDINGS - Continued  
FOR THE YEAR ENDED JUNE 30, 2011

**Part II: Other Findings Related to Required Statutory Reporting** - Continued

11-II-D Business Transactions - continued

Recommendation - The City should use the competitive bidding process when practicable.

Response - These transactions were for normal expenses. The City will monitor spending and use competitive bidding when practicable.

Conclusion - Response accepted.

11-II-E Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

11-II-F Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

11-II-G Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

11-II-H Revenue Notes - No noncompliance with revenue note provisions were noted.

11-II-I Economic Development - We noted that the City paid the Sheldon Chamber and Development Corporation (SCDC) \$65,000 from tax increment financing revenues, \$61,640 from hotel/motel tax, and \$10,000 from local option sales tax. The City also granted land to SCDC and financed SCDC's purchase of land.

In addition, we noted that the City paid the O'Brien County Economic Development Corporation \$5,503 from tax increment financing revenues.

It appears the City properly evaluated the public purpose and requires documentation of how the funds were used.